

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: March 18, 2014
Request for Final Resolution and
Request for Tax-Exempt Bond Allocation Approval

Prepared by: *John Weir*

Applicant: Zerep Management Corporation	Amount Requested: 27,570,000
Project: City of Industry & Pomona	Application No.: 872
Location: (Los Angeles County)	Final Resolution No.: 533
	Prior Actions: IR 13-08 Approved 9/17/2013

Summary. Zerep Management Corporation and/or its Affiliates (“Zerep” or the “Company”) requests approval of a Final Resolution and Volume Cap Allocation for an amount not to exceed \$27,570,000 to finance construction of a transfer station in Pomona, to purchase vehicles and equipment, and to pay certain costs of issuance.

Borrower. The Company was incorporated in California in 1970 and provides refuse collection and disposal services to communities in Southern California.

Zerep owns Valley Vista Services, Inc. and Vincent General Services. Grand Central Recycling & Transfer Station, Inc. and Zerep share some common ownership.

The principal stockholders of the Company are as follows:

Manny Perez	50%
David Perez	<u>50%</u>
Total:	<u>100%</u>

Legal Questionnaire. The Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed in the Legal Status portion of the Application that raises questions concerning the financial viability or legal integrity of this applicant.

TEFRA. The TEFRA hearings were held on October 10, 2013 and March 13, 2014. There were no comments received in support of or in opposition to this Project.

Fees. The Company paid an Application Fee of \$5,000 and will pay an administrative fee of \$50,140 at closing.

SBAF Assistance. The Company is a small business but is not eligible for assistance from the Small Business Assistance Fund due to the par amount of the bond issue.

Prior Financings. Prior financings are listed below.

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Description	Date of Bond Issue	Original Amount	Amount Outstanding as of 03/18/2014	Application No.
Valley Vista Services, Inc. Project Series 2003A	12/10/2003	\$4,700,000	\$0	736
Valley Vista Services, Inc. Project Series 2007A	2/8/2007	\$7,840,000	\$6,005,000	763
Zerep Management Corp. Project Series 2011A	10/19/2011	11,230,000	\$11,230,000	847
TOTALS:		<u>\$23,770,000</u>	<u>\$17,235,000</u>	

Project Description. The Company intends to spend approximately \$16.7 million to construct a transfer station in Pomona. Bond proceeds will also be used to finance the acquisition of CNG waste collection vehicles, containers and other equipment related to the collection and transfer of solid waste.

The anticipated project and issuance costs are listed below:

Construction of New Buildings	\$16,771,285
Acquisition and Installation of New Equipment	10,091,994
Bond Issuance Expenses	551,400
Letter of Credit or Bond Insurance Fee	<u>155,321</u>
Total Bond Amount	<u>\$27,570,000</u>

Note: The project costs reported in the Borrower's application and shown here in staff's report are estimated costs. At the time this financing closes, the estimated project costs will be finalized and stated in the Tax Certificate. Variations from the costs shown in the application and in this report may occur prior to the closing due to increased costs of certain components of the project from original estimates, and other reasons. In addition, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation or for other reasons. However, the Borrower confirms, through submission of a signed application and will confirm through covenants and representations in various bond documents, that all assets purchased with bond proceeds will qualify for tax exempt financing, that they will be used to complete the project as described, and that the average life tests required by federal law and described in the Tax Certificate will continue to be met. Tax-exempt financing may be only one source out of multiple sources of financing for a given project.

Anticipated Timeline. It is anticipated the Project will be completed within one year.

Local Government. A letter of support was received from Linda Lowry, City Manager of Pomona (see Attachment A).

Pollution Control and/or Environmental Benefits. The Company represents the project will generate the pollution control and environmental benefits described below.

Air Quality. As the Company replaces older collection vehicles with newer CNG trucks, the greenhouse gas emissions from the new vehicles will be lower.

Water Quality. The Project includes a runoff water collection and filtration system which will capture waste prior to discharge into the local sewer system.

Energy Efficiency. All vehicles purchased in conjunction with this Project will increase fuel efficiencies over older models currently in use.

Recycling of Commodities. The Project will provide mechanical and floor sorting of refuse and recyclables which is currently transferred to the landfill, thereby increasing recovery of recyclables.

Safety and Compliance. Compliance with all applicable state and federal environmental regulations regarding solid waste disposal will result with the implementation of the project. It is important to note that the United States Resource Conservation and Recovery Act (RCRA), the California Integrated Waste Management Act of 1989 (AB 939) and the California Global Warming Solutions Act (Chapter 488, statutes of 2006) as adopted in Assembly bill 32 Scoping Plan all mandate the need to minimize the amount of material landfilled and maximize recycling opportunities, both of which the project will achieve. The project will be compliant with all State and local mandates.

Jobs. The Company anticipates that the Project will create 50 new full-time jobs.

Taxes. The Company anticipates that the following approximate tax revenues will be generated by the Project annually:

Payroll Taxes, State & Federal	\$234,000 (annually)
Property Taxes	\$260,000 (annually)
Sales Tax	\$306,000 (one-time)

Permitting and Environmental Approvals. The Applicant has provided the Authority with copies of all required Conditional Use Permits and Notices of Determination where appropriate for the project sites as required.

Financing Details. The Company anticipates issuance of negotiated tax-exempt, weekly reset, variable rate bonds with a term not to exceed 30 years for the qualifying portion of the project. The Company plans to secure the bonds with an irrevocable, direct pay Letter of Credit issued by Comerica Bank that is rated at least “A-” by Fitch Rating Agency or equivalent. The target date for financing is March 26, 2014. To reduce borrowing costs, the Bonds will be delivered in increments expected to better match borrowing needs to project expenditure schedules.

Financing Team.

Underwriter: Westhoff, Cone & Holmstedt
Bond Counsel: Law Offices of Leslie M. Lava
Issuer’s Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of Final Resolution No. 533 and Volume Cap Allocation Resolution No. 11-169-03 for an amount not to exceed \$27,570,000 for Zerep Management Corporation and/or its Affiliates.

Attachment A

THE CITY OF
POMONA

Office of the City Manager

LINDA C. LOWRY
City Manager



August 22, 2013

Ms. Reneé Webster-Hawkins
Executive Director
California Pollution Control Financing Authority
915 Capitol Mall, Room 457
Sacramento, CA 95814

**RE: California Pollution Control Financing Authority, Exempt Facility
Approvals Zerep Management Corporation Project**

Dear Ms. Webster-Hawkins:

I write to you today at the request of Grand Central Recycling & Transfer Station, Inc., and Zerep Management Corporation, relating to their Direct Transfer Station project at 1371 E. 9th Street, Pomona, California, for which financing approval will be requested by Grand Central Recycling & Transfer Station, Inc., and Zerep Management Corporation at the California Pollution Control Financing Authority ("CPCFA") meeting in October.

My staff and I have worked with the management of Zerep Management Corporation over the last decade in their development and permitting of the proposed project and they now advise that they are ready for final approval of the financing. I understand that in order to receive approval for the issuance of TEFRA tax exempt bonds, on whose lower interest rates the "project" economics have been based, that CPCFA must grant part of the State's allocation for "private activity" bonds as defined by the federal government to the Project.

The City will be using the indoor direct transfer station as part of our overall solid waste management program, taking into account cost, technology and expected waste diversion.

Your approval the Zerep Management Corporation Project at your meeting in October would assist in those goals. Thank you.

Sincerely,


Linda C. Lowry
City Manager

City Hall, 505 S. Garey Ave., Box 660, Pomona, CA 91769, (909) 620-2051, Fax (909) 620-3707

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FINAL BOND RESOLUTION OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
RELATING TO FINANCING OR REFINANCING OF
SOLID WASTE DISPOSAL FACILITIES AND EQUIPMENT
FOR ZEREP MANAGEMENT CORPORATION
AND/OR ITS AFFILIATES

March 18, 2014

WHEREAS, the California Pollution Control Financing Authority (the “Authority”) has received the application of Zerep Management Corporation (the “Borrower”), for financial assistance to finance or refinance (i) the construction of a transfer station and a CNG fueling station to be located at 1371 E. Ninth Street, Pomona, California 91766 (the “Site”), (ii) the acquisition and installation, if any, of equipment for the collection, processing and transfer of solid waste, including conveyors, sorters, CNG waste collection vehicles, rolling stock and other equipment functionally related thereto, to be located at any or all of the following addresses: the Site, 17445 Railroad Street, City of Industry, California 91748 and/or 999 and/or 1037 South Hatcher Avenue, City of Industry, California 91748, and (iii) the acquisition of drop boxes, bins, carts and/or containers to be located at any of the foregoing addresses and/or with customers in incorporated and unincorporated areas of Los Angeles County, California, all as more particularly described in the Term Sheet attached hereto as Exhibit A and incorporated herein (the “Term Sheet”) (collectively, the “Project”); and

WHEREAS, the Borrower has requested the Authority to issue its revenue bonds from time to time in an amount not to exceed \$27,570,000 to assist in the financing or refinancing of the Project and to pay certain costs in connection with the issuance of such revenue bonds; and

WHEREAS, the Borrower has requested that such revenue bonds be delivered in installments as described in the hereinafter referred loan agreement with the Authority; and

WHEREAS, the proceeds of such revenue bonds will be loaned to the Borrower under a loan agreement with the Authority; and

WHEREAS, final approval of the terms of such revenue bonds and certain documents relating to such revenue bonds is now sought; and

WHEREAS, the Borrower has provided documentation to the Authority demonstrating that the Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is not a project under that division;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. The Project constitutes a “project” and the Borrower is a “participating party” within the meaning of the California Pollution Control Financing Authority Act (the “Act”).

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Section 2. Pursuant to the Act, revenue obligations of the Authority, designated as the “California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds (Zerep Management Corporation Project) Series 2014” (the “Bonds”), or such alternate designation as may be approved by the Executive Director of the Authority, in an aggregate principal amount not to exceed \$27,570,000, are hereby authorized to be issued. The Bonds may be issued at one time, or from time to time, in one or more series separately or differently identified, and may be issued in a tax-exempt mode, all in accordance with the Indenture (as hereinafter defined) as finally executed. The proceeds of the Bonds shall be used to finance or refinance the Project and to pay costs of issuance of the Bonds. The Bonds may be issued as a single issue for federal tax purposes with delivery of bonds against proceeds done in periodic installments under a draw down mechanism.

Section 3. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to sell the Bonds, at one time or from time to time on or before December 31, 2014, by negotiated sale, at such price and at such interest rate or rates as he may determine, such determination to be as set forth in the hereinafter referred to Purchase Contract. Delivery of the Bonds at such times to be approved by the Authority, pursuant to documents approved in section 4, is hereby approved.

Section 4. The following documents:

(i) a loan agreement relating to the Bonds (the “Loan Agreement”), between the Authority and the Borrower:

(ii) an indenture relating to the Bonds (the “Indenture”), between the Authority and the trustee named in the Term Sheet (the “Trustee”);

(iii) a bond purchase contract (the “Purchase Contract”) among the Authority, the Treasurer of the State of California and the underwriter or underwriters named in the Term Sheet (the “Underwriters”), and approved by the Borrower; and

(iv) the preliminary official statement relating to the Bonds (the “Preliminary Official Statement”)

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect the form of credit enhancement for the Bonds) in substantial conformance with the Term Sheet as the officer(s) executing and/or delivering the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Loan Agreement, the Indenture and the Purchase Contract and by delivery thereof in the case of the Preliminary Official Statement.

Section 5. The Authority understands and agrees that pursuant to the terms of the Loan Agreement, the obligations of the Borrower may, under some circumstances, be carried out or assumed by a successor or assignee entity, or by an Affiliate of the Borrower. For purposes of this Resolution, an “Affiliate” of the Borrower means any person or entity which meets the definition of “Participating Party” in the Act and controls, is controlled by, or is under common control with, the Borrower, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise.

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Section 6. The dates, maturity dates, interest rate or rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption and other terms of the Bonds shall be as provided in the Indenture, as finally executed.

Section 7. The Underwriters are hereby authorized to distribute the Preliminary Official Statement to persons who may be interested in the purchase of the Bonds. The Underwriters are hereby directed to deliver (in a manner that complies with Securities and Exchange Commission rule 15c2-12(b)(3)) a copy of said final official statement (as finally executed, the “Official Statement”) to all actual purchasers of the Bonds.

Section 8. The Bonds, when executed, shall be delivered to the Trustee under the Indenture for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee’s certificate of authentication appearing thereon. The Trustee is hereby requested and directed to deliver the Bonds, when duly executed and authenticated, to The Depository Trust Company, New York, New York, on behalf of the Underwriters in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Such instructions shall provide for the delivery of the Bonds to The Depository Trust Company, on behalf of the Underwriters thereof, upon payment of the purchase price thereof.

Section 9. The Authority hereby dedicates and confirms its allocation to the Bonds issued in a tax-exempt mode (the “Tax-Exempt Bonds”) of a portion of its private activity bond limit, as previously received, carried forward or to be received from the California Debt Limit Allocation Committee, in an amount up to the applicable principal amount of Tax-Exempt Bonds issued and delivered to finance certain costs of the Project and to pay certain costs of issuance of the Tax-Exempt Bonds, so as to satisfy the requirements of Section 146(e) of the Internal Revenue Code of 1986, with respect to the Tax-Exempt Bonds.

Section 10. Each officer of the Authority, acting alone, is hereby authorized and directed to do any and all ministerial acts that the officer may deem necessary or advisable in order to consummate the issuance, sale or delivery of the Bonds, and otherwise to effectuate the purposes of this Resolution and the Indenture, the Loan Agreement, the Purchase Contract and the Official Statement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation, any certifications, including, a tax certificate.

Section 11. The provisions of the resolution of the Authority entitled “Resolution of the California Pollution Control Financing Authority Delegating Certain Powers and Authorizing Certain Actions Related to Bond Financings” adopted by the Authority on January 21, 2014, apply to the documents and actions approved in this Resolution, and the provisions of such resolution are incorporated herein by reference.

Section 12. The Authority hereby approves and ratifies each and every action taken by its officers, agents, members and employees prior to the date hereof in furtherance of the purposes of this Resolution.

Section 13. This resolution shall take effect immediately upon its passage. The adoption by the Authority of this final resolution for the Borrower shall not be referred to in any application before any government agency as evidence of the feasibility, practicality or

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suitability of the Project or in any application for any required permission or authority to construct or operate the Project.

EXHIBIT A

TERM SHEET

Name of Issue: California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds (Zerep Management Corporation Project) Series 2014, or such alternate designation as may be approved by the Executive Director of the Authority (the “Bonds”)

Maximum Amount of Issue: \$27,570,000 (tax-exempt)

Issuer: California Pollution Control Financing Authority (the “Authority”)
Sacramento, CA

Borrower: Zerep Management Corporation

Trustee: The Bank of New York Mellon Trust Company, N.A.

Underwriters: Westhoff, Cone & Holmstedt

Bond Counsel: Leslie M. Lava, Esq.
Tiburon, CA

Remarketing Agent: Westhoff, Cone & Holmstedt

Project: Finance or refinance (i) the construction of a transfer station and a CNG fueling station to be located at 1371 E. Ninth Street, Pomona, California 91766 (the “Site”), (ii) the acquisition and installation, if any, of equipment for the collection, processing and transfer of solid waste, including conveyors, sorters, CNG waste collection vehicles, rolling stock and other equipment functionally related thereto, to be located at any or all of the following addresses: the Site, 17445 Railroad Street, City of Industry, California 91748 and/or 999 and/or 1037 South Hatcher Avenue, City of Industry, California 91748, and (iii) the acquisition

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of drop boxes, bins, carts and/or containers to be located at any of the foregoing addresses and/or with customers in incorporated and unincorporated areas of Los Angeles County, California.

Maximum Bond Term:	Not to exceed 30 years
Type of Sale:	Negotiated sale
Description of Minimum Denominations:	\$100,000 or any integral multiple of \$5,000 in excess thereof while in variable rate mode
Financing Structure:	Variable rate demand bonds deliverable in installments using a draw down mechanism; convertible to fixed rate pursuant to the Indenture
Maximum Interest Rate:	12%
Letter of Credit:	Provided by Comerica Bank
Other Credit Enhancement:	Not applicable
Anticipated Bond Rating:	Comerica Bank: "A" (Minimum "A-")
Type of Financing:	Solid waste disposal revenue bonds
Prepared by:	Leslie M. Lava, Esq. Law Offices of Leslie M. Lava (415) 331-6464

THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

RESOLUTION NO. 11-169-03

**A RESOLUTION DEDICATING FOR USE OF A PORTION OF THE 2011 STATE
CEILING ON QUALIFIED PRIVATE ACTIVITY BONDS FOR AN
EXEMPT FACILITY PROJECT**

WHEREAS, the California Pollution Control Financing Authority (“CPCFA”) has received an application (“Application”) from Zerep Management Corporation (“Project Sponsor”) for approval of the issuance of revenue bonds; and

WHEREAS, on March 18, 2014, CPCFA approved Final Resolution No. 533 (“Final Resolution”) authorizing the issuance of up to \$27,570,000 of its solid waste disposal revenue bonds (Zerep Management Corporation Project) Series 2014 (“Bonds”); and

WHEREAS, in seeking CPCFA approval of the Final Resolution, the Project Sponsor represented certain facts and information concerning the project to CPCFA which were relied upon by CPCFA in approving the Final Resolution; and

WHEREAS, the California Debt Limit Allocation Committee (“CDLAC”) has previously transferred to CPCFA a portion of the 2011 State Ceiling on Qualified Private Activity Bonds pursuant to Section 146 of the Internal Revenue Code of 1986, as amended, for use by CPCFA to issue bonds or other obligations in a manner consistent with CDLAC’s policies and procedures. Accordingly, capitalized terms not otherwise defined shall have the meanings ascribed to them in the “Procedures of the California Debt Limit Allocation Committee Implementing the Allocation of State Ceiling on Private Activity Bonds” (“CDLAC Procedures”); and

WHEREAS, it is appropriate for CPCFA to confirm the use of a portion of the 2011 State Ceiling on Qualified Private Activity Bonds allocated to CPCFA (“CPCFA Allocation”) to the issuance of the Bonds as set forth in the Final Resolution;

NOW, THEREFORE, CPCFA resolves as follows:

Section 1. CPCFA Allocation in the amount of \$27,570,000 is hereby dedicated to the issuance of the Bonds. The dedicated CPCFA Allocation may be used only by the Project Sponsor and only for the issuance of Bonds for the Project, as specifically described in Exhibit A, and consistent with the terms of the Final Resolution. All of the terms and conditions of Exhibit A, and the Final Resolution are incorporated herein as though set forth in full (this resolution, the Final Resolution and Exhibit A, collectively “Resolution”).

Section 2. The terms and conditions of this Resolution shall be incorporated in appropriate documents relating to the Bonds, and the Project Sponsor and all its respective successors and assignees, will be bound by such terms and conditions.

Section 3. Any modification to the Project made prior to the issuance of the Bonds must be reported to the Executive Director and shall require reconsideration by the CPCFA before the Allocation may be used for the Project.

Section 4. The CPCFA Allocation dedicated by this Resolution shall automatically revert to CPCFA unless the Bonds for the Project have been issued by CPCFA by the close of business on **June 18, 2014**. In a case of extreme hardship, the Deputy Executive Director or the Executive Director may extend this date by up to thirty (30) business days.

Section 5. Within twenty-four (24) hours of issuing the Bonds, CPCFA shall notify CDLAC via the email or the fax number as provided in Section 5140 of the CDLAC Regulations that the Bonds have been issued. This notice shall identify the Project Sponsor, the project or program, the date and amount of the Bonds issued.

Section 6. Within fifteen (15) calendar days of the Bond closing, CPCFA or its counsel shall formally transmit to CDLAC information regarding the issuance of the Bonds by submitting the appropriate completed Report of Action Taken in a form prescribed by and made available by CDLAC.

Section 7. Any differences between the amount of Bonds issued and the amount of the CPCFA Allocation dedicated in Section 1 of this Resolution shall automatically revert to CPCFA. If at any time prior to the expiration date set forth in Section 4 hereof the Project Sponsor determines that part or all of the CPCFA Allocation dedicated in Section 1 of this Resolution will not be required by the Project by that date, the Project Sponsor shall promptly give notice to CPCFA.

Section 8. In consideration of the CPCFA Allocation dedicated in Section 1 of this resolution, the Project Sponsor shall comply with all of the terms and conditions contained in this Resolution and ensure that these terms and conditions are included in the documents related to the Bonds. Further, the Project Sponsor expressly agrees that the terms and conditions of this Resolution may be enforced by CDLAC or CPCFA through an action for specific performance or any other available remedy, provided however, that CDLAC and CPCFA agree not to take such action or enforce any such remedy that would be materially adverse to the interests of Bondholders. In addition, CPCFA shall ensure that the Bond documents, as appropriate, expressly provide that CDLAC is a third party beneficiary of the terms and conditions set forth in this Resolution.

Section 9. The Project Sponsor or its successor-in-interest shall provide certifications of compliance with the terms and conditions set forth in this Resolution when reasonably requested by CDLAC or CPCFA.

Section 10. This Resolution shall take effect immediately upon its adoption.

RESOLUTION NO. 11-169-03
(AN EXEMPT FACILITY PROJECT)
EXHIBIT A

1. Project Sponsor: Zerep Management Corporation
2. Application #: 872
3. Project User: Zerep Management Corporation
4. Project Name: Zerep Management Corporation; Grand Central Recycling & Transfer Inc. & Valley Services, Inc. Projects
5. Location: 17445 Railroad St. & 999 & 1037 South Hatcher Ave
City of Industry, CA 91748

1371 E. Ninth Street
Pomona, CA 91766
6. Credit Enhancement: Comerica Bank
7. The Credit Enhancement Provider at the time of issuance will be the same as represented in the application.
8. Amount of Allocation: \$27,570,000